



**U. S. DEPARTMENT OF EDUCATION
OFFICE OF INSPECTOR GENERAL
61 Forsyth Street, Room 18T71
Atlanta, Georgia 30303**



December 30, 1998

Control Number: N04-70011

**Roger Bradley, President
Career Training Institute
3326 Edgewater Drive
Orlando, Florida 32804**

Dear Mr. Bradley:

Enclosed is our final report on the inspection of CTI's Federal Student Financial Aid Programs. We have incorporated the comments provided to us at the exit conference as an attachment to the report.

If you have any additional comments or information that you believe may have a bearing on the resolution of this inspection, you should send them directly to the following Education Department official, who will consider them before taking final Departmental action on the inspection:

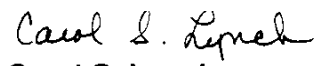
**Greg Woods, Chief Operating Officer
Office of Student Financial Assistance
U. S. Department of Education
600 Independence Avenue, SW
Washington, D. C. 20202**

Office of Management and Budget Circular A-50 directs Federal agencies to expedite the resolution of issued reports by initiating timely action on the findings and recommendations contained therein. Therefore, receipt of your additional comments within 30 days would be greatly appreciated.

In accordance with the Freedom of Information Act (Public Law 90-23), reports issued to the Department's grantees and contractors are made available, to members of the press and general public to the extent information contained therein is not subject to exemptions in the Act.

Please refer to the above control number in all correspondence relating to this report.

Sincerely,

A handwritten signature in cursive script that reads "Carol S. Lynch".

Carol S. Lynch
Regional Inspector General for Audit

Enclosure

HIGHLIGHTS OF INSPECTION RESULTS

Our primary inspection objective was to determine if Career Training Institute (CTI) administered its Federal student financial aid (SFA) programs in accordance with laws, regulations and applicable program requirements. Our inspection revealed that CTI and its programs were eligible to participate. However, we determined that CTI did not always: (1) properly determine student eligibility, (2) appropriately disburse SFA funds, and (3) properly calculate and pay refunds for students who withdrew. We also determined that there were other weaknesses in the school's capability to administer the SFA programs.

From the sample of student files reviewed, we identified \$67,670¹ in liabilities owed either to the Department or to lenders and \$306 owed to students for aid received during award years 1996 and 1997. During this period, the school received a total of \$2,824,258 in Title IV funds. Based on the liabilities identified from each of our Determinations (findings), we estimate that the liabilities owed by CTI may be \$513,568 or as much as \$932,054 (see our calculations in Appendix A).

In response to Determinations 1 and 3, CTI advised us that they have instituted new operating procedures, hired additional financial aid staff and contracted with a new SFA servicer. We believe these steps will help improve CTI's administration of the SFA programs. However, we have made some additional recommendations, which include that CTI determine and refund any additional liabilities owed. Details about our Determinations and the school's responses are presented below. The school's response in its entirety is included as Appendix B.

¹ - For reporting purposes, the decimal portion of each dollar figure and number (when referring to hours) appearing in the report has been rounded up or down to the nearest dollar or number.

DETERMINATIONS - STUDENT ELIGIBILITY

Determination No. 1

**The Institutional Student Information Record (ISIR)
process date was after some students had withdrawn.**

Liabilities Owed

Unallowable disbursements of Pell Grant funds totaling \$3,442 were paid to 4 students, 7 percent of our sample, who withdrew before CTI obtained an ISIR. The process date of the ISIRs for these students ranged from 1 to 5 days after the students withdrew. The Pell Grant central processor furnishes the student financial aid (SFA) administrator, as part of the ISIR, the expected family contribution (EFC) for each student. The SFA administrator examines and assesses the data used to calculate the EFC and makes the award to the student.

Criteria

Under **34 CFR Section 690.61(b)(1)**, for a student to receive a Federal Pell Grant, the school must obtain a valid ISIR by the last date that the student is still enrolled.

CTI's Response:

CTI officials stated that they would review the files we identified and make a refund. School officials also stated that their servicer, Financial Aid Management for Education, Inc. (FAME), has a procedure in place for this situation. The school must confirm to FAME that the student is in attendance. No financial aid will be disbursed to a student who has a last date of attendance prior to the ISIR process date.

IG's Comments

The school's new procedures appear adequate to resolve this problem in the future.

IG's Recommendations for Determination No. 1:

We recommend that the Department require CTI to:

(A) Refund the \$3,442 in Pell Grants disbursed to the students identified in our sample.

(B) Review the files for all students who received aid during award years 1996-1997 for this problem, not just the students in our samples. Where the problem is identified, CTI should be required to make refunds.

**Determination
No. 2****The school did not always maintain or require students to sign the Free Application for Federal Student Aid (FAFSA).****Liabilities Owed**

Fifteen or 25 percent of our sample students' FAFSAs were either unsigned or not in the students' file. We consider the student's signature on the FAFSA and the school's acquisition and review of FAFSAs a critical control to ensure students are actually eligible to receive aid. These students received \$38,509 in aid.

Criteria

CTI used a modem to send financial aid application data to its servicer who then sent it to the Pell Grant central processor. According to **34 CFR Section 690.82(b)**, a school shall retain any completed applications (FAFSAs) or any other documents submitted by a student to the school if the application information is transmitted to the Secretary under ED Express software. Also, the student is required to sign the statement on the FAFSA certifying that the information provided is correct. If the student applies electronically through his or her school, the school must keep the signed FAFSA in the student's file. Without a signed statement from the student on the application, the Department has no assurance that the information used to determine the student's eligibility was accurate and complete.

We recommend that the Department require CTI to:**IG's
Recommendations for
Determination
No. 2:**

(A) Refund the \$38,509 in aid disbursed to the students in our sample who did not have a signed FAFSA.

(B) Identify any students who do not have a signed FAFSA during award years 1996-1997 and make refunds where necessary.

(C) Maintain all original, signed FAFSAs for any student who applies for Federal aid.

DETERMINATIONS - DISBURSEMENTS

Determination No. 3

Unallowable and early second disbursements of aid were made for students who did not complete the required clock hours of instruction prior to disbursement.

Unallowable Second Disbursements of Aid

Unallowable second disbursements of aid totaling \$14,425 were made for 8 students (13 percent of our sample) because CTI incorrectly calculated that the students had completed 450 clock hours of classes. The school included unearned hours of attendance when calculating the number of hours completed by students to determine their eligibility for second disbursements.

CTI's Payment Periods

Except for cosmetology and barbering students, CTI disbursed second payments of aid to students after they reviewed summary attendance records and determined that the students had completed 450 clock hours of classes. For cosmetology and barbering students, CTI disbursed second payments of loans after they completed 600 clock hours of classes. For our analysis, we used the Department's requirement for all students to complete 450 class hours before being eligible for second payments.

IG's Analysis of Attendance

We performed a detailed analysis of the attendance records for each student in our sample. We compared the attendance marks and hours recorded on the student's "Student Attendance Report" (the summary attendance record) with the attendance marks and hours recorded on instructors' original attendance records.

We considered the instructors' original attendance records to be the most accurate, complete and reliable record documenting the actual hours of classes completed by students. Therefore, we relied on the attendance marks recorded on these records to determine whether and when students were eligible for second disbursements of aid.

In reviewing our sample students' attendance records, we gave students credit for:

-- **scheduled** hours of class attendance when instructors marked the students present with a "P" or the student signed in on attendance records.

-- **actual** hours of class attendance when instructors or the student marked their "sign in" time and "sign out" time on attendance records.

-- **actual** hours of class attendance when students clocked in and clocked out on a time card using the school's time clock.

Also, we gave students credit for the full day of scheduled hours of attendance for days when we could not determine the actual hours completed by students. For example, we gave full credit for days with the following attendance marks recorded:

-- **"PT"**- present, but tardy

-- **"P/A"**- present part of the day, but absent part of the day

-- **"PLE"**- present, but left early.

In addition, we gave students full credit for many days when the students did not sign or clock out. For example, a student may have signed or clocked in at 6:00 p.m., but failed to sign or clock out. Even though we could not determine when the student actually finished class that day, we gave the student full credit for their scheduled class time from 6:00 to 10:00 p.m.

CTI's policy was to record excused absences as "AE" or "A/E" (absent, but excused) on attendance records. We gave medical assistant students up to 45 hours credit (10 percent of the payment period) for excused absences. This is CTI's policy. No absences were excused for cosmetology and barbering students because of State licensing requirements for those students. Also, we did not give medical assistant students credit for absences not designated as excused. We considered unexcused absences as those that were recorded as "A", "ABS" or when no mark was recorded.

Also, we gave students credit when CTI marked the student absent on the summary attendance record, but the student was marked present on originals and CTI marked the student present for fewer hours on the summary than were recorded on the originals.

**Unearned
Hours of
Attendance
Recorded on
Summary
Attendance
Records**

From our review of attendance records, we uncovered many instances where the school recorded unearned hours of class attendance on the students summary attendance records.

— For 51 students, 85 percent of our sample, CTI gave students credit for unexcused absences on their summary attendance records for a total of 4,287 hours.

— For 29 students, 48 percent of our sample, CTI gave full credit on the summary attendance report for partial attendance recorded on original attendance records for a total of 724 hours.

— For 27 students, 45 percent of our sample, CTI gave the students a total of 292 hours of class attendance on their summary attendance record for days that were holidays.

— For 2 students, CTI gave bonus credit hours on their summary attendance record for a total of 64 hours.

— For 2 students, CTI marked the students present on their summary attendance record for a total of 12 hours when classes were not scheduled.

— For 1 student, CTI gave the student 30 hours credit on the summary attendance record for class attendance while the student was on a leave of absence.

**Unallowable
Second
Disbursements
of Aid**

CTI's use of unearned attendance hours resulted in CTI making unallowable second disbursements. The school disbursed \$14,425 to 8 students, 13 percent of our sample, who did not complete 450 hours of classes.

For example, CTI calculated that one student attended 545 hours of classes. However, we calculated that the student only completed 395 of the required 450 hours of classes in the payment period. Therefore, the student was not eligible for a second Pell Grant payment of \$1,170 and a second Stafford loan payment of \$1,260.

**Early Second
Disbursements
of Aid**

CTI's use of unearned attendance hours also resulted in CTI making second disbursements early for 12 students, 20 percent of our sample. For example, for one student, CTI disbursed second payments for a subsidized Direct loan on 10/31/96 and a Pell Grant on 11/8/96. However, we calculated that the student did not complete 450 hours of classes until 1/22/97.

Criteria**Stafford and
Direct Loans**

Under **34 CFR Section 668.165(c)(2)**, the earliest an institution may credit the account of an enrolled student for second disbursements of Direct Loans or FFEL program funds is 10 days before the first day of a period of enrollment for which that disbursement is intended.

Pell Grants

Under **34 CFR Section 690.75(a)**, for each payment period, an institution may pay a Federal Pell Grant to an eligible student only after it determines that the student has completed required clock hours, if the student is enrolled in a program that is measured in clock hours.

**General
Provisions**

Regulations under **34 CFR Section 668.23**, require schools to maintain student, program and fiscal records that are systematically organized and readily available for review. Further, ***The Federal Student Financial Aid Handbook 1995-96, page 3-147*** emphasizes the importance of maintaining complete and consistent records. Student records for each SFA recipient must clearly show that the student was eligible for the funds received, and that the funds were disbursed in accordance with program regulations.

**CTI's
Response:**

School officials stated they would check the files in the inspection period to determine the time completed by the students as of the date of the second disbursements. If the students did not successfully complete the minimum attendance required, the school agreed to repay any unallowable SFA disbursed.

CTI officials stated that its servicer, FAME, has a process that requires the school to submit attendance data prior to the preparation of first and second disbursements. FAME does not process any second disbursements unless the student has COMPLETED the required hours.

IG's Comments

The school's new procedures appear adequate to resolve this problem if CTI calculates hours completed by students in accordance with ED regulations.

**IG's
Recommendations for
Determination
No. 3**

We recommend that the Department require CTI to:

(A) Refund the \$14,425 in aid disbursed to the 8 students in our sample who did not complete 450 hours of attendance.

(B) Review the files for all students who received aid during award years 1996-1997 for this problem, and make refunds where necessary.

(C) Strictly enforce its policies for recording and transferring attendance hours from originals to summary records.

**Determination
No. 4****Loans were disbursed prior to the students'
completion of 30 days of attendance.**

CTI disbursed loan payments to 4 first-time borrowers prior to the completion of 30 days of class attendance. The students only completed between 26 and 29 days of classes prior to receiving their first loan disbursements.

Criteria

Under **34 CFR Section 668.165(c)(3)**, if a student is enrolled in the first year of an undergraduate program of study and the student has not previously received an FFEL or Direct Loan, the institution may not release to the student the first installment of his or her FFEL or Direct loan until 30 days after the first day of the student's classes.

**IG's
Recommendation for
Determination
No. 4:**

We recommend that the Department require CTI to implement procedures for disbursing loan proceeds to first-time borrowers only after students complete 30 days of classes.

DETERMINATIONS - REFUNDS

Determination No. 5

The school underpaid refunds because it included unearned hours of attendance to calculate refunds due for students who withdrew.

Effect of Using Unearned Hours to Calculate Refunds

CTI's calculation of hours completed by students affected the calculation of the school's pro rata refunds. Based on our calculations, CTI owes additional refunds of \$11,033 for 17 (28 percent) of our sample students. For example, for one student, CTI calculated that the student completed 212 hours of attendance while enrolled. However, we calculated that the student only completed 124 hours of attendance, including excused absences, of the 900 clock hour training program. Therefore, instead of the school being eligible to retain 30 percent of the student's charges, CTI was only eligible to keep 20 percent. This resulted in CTI owing an additional refund of \$477 for the student.

Criteria

Schools must calculate refunds for students who withdraw in accordance with **34 CFR Section 668.22**. Section 668.22 (b) and (c) requires institutions to perform pro rata refund calculations for withdrawn students. Specifically, schools have to calculate refund amounts based on the number of clock hours completed (including excused absences) by students. By overstating hours completed, CTI was able to reduce the amount of required refunds.

We recommend that the Department require CTI to:

IG's Recommendations for Determination No. 5:

(A) Pay additional refunds of \$11,033 identified for the 17 students.

(B) Review the files for all students who withdrew during award years 1996-1997, recalculate the number of actual hours completed by those students, and make any additional refunds where necessary.

**Determination
No. 6****The school had late and unpaid Title IV refunds.****Liabilities
Identified**

In our sample of 60 files reviewed, 10 late refunds occurred and 4 refunds were unpaid at the time of our file reviews in June and July 1998. The late refunds ranged from 11 to 292 days late. Also, the school wrote 4 refund checks totaling \$2,918 which remain unpaid. At the time of our file reviews, the 4 checks had been outstanding from 129 to 512 days. Two of these unpaid refunds totaling \$2,610 are questioned under Determination 3. Therefore, only the remaining 2 unpaid refunds totaling \$308 are questioned here— checks for \$212 to the Direct Loan program and \$96 to a student.

In addition, we identified 2 credit balances which remain unpaid to students totaling \$210. Also, another student's Pell Grant program refund was underpaid by \$50.

Criteria

According to **34 CFR Section 682.607 (c)(1)**, a school shall pay a refund that is due within 60 days after the student's withdrawal as determined under **34 CFR 668.22(i)**.

According to **34 CFR Section 668.22 (g)(3)(iii)(B)**, if an institution demonstrates that the total amount of a refund would be \$25 or less, the institution is not required to pay the refund, provided that the institution has obtained written authorization from the student in the enrollment agreement to retain any amount of the refund that would be allocated to the Title IV, HEA loan programs.

According to **34 CFR Section 668.22 (h)(2)(iv)**, the amount of the Title IV, HEA program portion of the refund allocated to the Title IV, HEA programs other than the FWS, Federal Stafford Loan, Federal PLUS, and Federal SLS programs must be returned to the appropriate program account or accounts by the institution within 30 days of the date that the student officially withdraws, is expelled, or the institution determines that a student has unofficially withdrawn.

We recommend that the Department require CTI to:

**IG's
Recommendations for
Determination
No. 6:**

(A) Follow the established policies for making timely refunds.

(B) Repay: \$308 in outstanding refund checks— \$212 to the Direct Loan program and \$96 to a student; \$210 in credit balances owed to students; and \$50 owed for an underpaid refund to the Pell Grant program.

(C) Identify all students who currently have a credit balance over \$25 or who have a refund due and make appropriate refunds where necessary.

DETERMINATIONS - OTHER INDICATIONS OF WEAKNESSES IN ADMINISTRATIVE CAPABILITIES

Determination No. 7

Loan promissory notes were signed by students before a valid ISIR was obtained.

We identified 32 instances, 53 percent of our sample, where the student's loan promissory note was signed by the student prior to the process date of the ISIR. The promissory notes were signed from 3 to 217 days prior to the process date of the student's ISIR. Although the ISIRs were eventually obtained and the students were eligible for loans, CTI officials should have obtained the ISIRs first. An ISIR should be obtained and reviewed by a school to: 1) ensure that the student is eligible and 2) resolve any conflicting eligibility information prior to disbursing aid.

Criteria

Under **34 CFR Section 682.201(a)(1)**, a student is eligible to receive a Stafford loan if the student has received a determination of eligibility or ineligibility for a Pell Grant. Similarly, under **34 CFR Section 685.200(a)(1)(iii)**, a student is eligible to receive a Direct Subsidized or a Direct Unsubsidized Loan if the student has received a determination of Federal Pell Grant eligibility.

IG's Recommendation for Determination No. 7:

We recommend that the Department require the school to change its loan processing procedures to ensure that loan promissory notes are not signed by students and/or processed by the school until the school is in receipt of a valid ISIR.

**Determination
No. 8****Instructors' student grade records and summary
student grade records did not match.**

For 22 students, 37 percent of our sample, the instructors' original grade records and the grade summaries maintained for each student did not match. We did not attempt to determine whether students were meeting satisfactory academic progress standards because of conflicting grade records.

Criteria

The regulations (**34 CFR Section 668.23**) require schools to maintain student records, and program and fiscal records. The importance of maintaining complete and consistent records cannot be overemphasized. Student records for each SFA recipient must clearly show that the student was making satisfactory progress and was eligible for the funds received.

We recommend that the Department require the school to:

**IG's
Recommendations for
Determination
No. 8:**

(A) Carefully follow its grade recording procedures to ensure that original grades are correctly transferred from original instructors' grade records to the summary grade record.

(B) Review all student grade records and determine the actual grades earned by students and record them on the summary grade record.

OTHER MATTERS

CTI's Changes

The school submitted a "**Narrative**" containing its responses to our initial Determinations. The beginning of the Narrative discusses the changes CTI has made in student record keeping and financial aid management. We reviewed the school's changes and have the following comments about them:

CTI's Changes

Servicer Change

1) Beginning in calendar year 1998, CTI began using FAME as its servicer. FAME uses the following beneficial procedures:

— **Safety nets** are built-in to FAME's software to prevent errors in student eligibility, conflicting data in an ISIR, and early disbursement. FAME requires CTI to submit an attendance report on a monthly basis. This information is taken from the student's permanent Attendance Record Sheet (Student Attendance Report or SAR). FAME will not proceed with the disbursement unless the student has completed the required hours.

— CTI has contracted with FAME to provide "unannounced" visits to its Financial Aid Department for surprise inspection of records and processes.

— FAME sends Title IV regulations, changes and updates to CTI.

IG's Comments:

a) We believe FAME's procedures for identifying errors in student eligibility, conflicting data in an ISIR, and early disbursement should help CTI avoid such errors in the future.

b) We believe FAME's procedure to not disburse aid unless the student has completed the required hours should help deter this problem as long as CTI provides FAME with the actual hours completed by students.

c) We believe FAME's "unannounced" visits to CTI's Financial Aid Department for surprise inspections of records and processes should be an excellent test for seeing results of changes.

d) We believe FAME's distribution of Title IV regulations, changes and updates should help CTI stay abreast of current Title IV management practices.

New Staff**IG's
Comments /
Recommendation:**

2) CTI hired two additional staff for its Financial Aid Department.

We believe CTI's hiring additional staff for the Financial Aid Department should improve operations. **We recommend that CTI require its staff to continually obtain training from the Department and financial aid associations such as the Florida Association of Student Financial Aid Administrators.**

**New Time
Clock****IG's
Comments /
Recommendation:**

3) CTI replaced its mechanical time clock with a new electronic one which computes totals for a designated time period. The clock is used by Barber and Cosmetology students. Students sign the time cards at the end of the month to attest to the accuracy of the calculation.

We viewed the time cards used by this clock and believe it will help alleviate the troubles CTI had in calculating and keeping track of students' completed hours. **However, since CTI is a clock hour school, we recommend that CTI use the time clock for all students enrolled, not just Barber and Cosmetology students.**

**New System for
Make-Up Hours****IG's
Comments /
Recommendation:**

4) CTI has a new system for make-up hours for Medical Assisting/Medical Administrative Specialist students. The Attendance Record Sheet was reformatted to account for both "scheduled" and "make-up" time. The medical programs director has a "make-up" sign-in sheet on her office door for students to sign when time is made up. In addition, instructors and the program department head are present during non-class hours to provide students with make-up/tutorial assistance.

Since all students may be performing "make-up" time, we recommend that CTI use this new Attendance Record Sheet to record attendance for all students.

Attendance Record- keeping System

5) CTI streamlined its attendance record keeping system to include one student-generated document and one instructor-generated document that contains all attendance and make-up verifications.

IG's Comments / Recommendation:

We appreciate CTI's efforts to streamline its attendance record keeping system. **However, we recommend that CTI maintain all original instructor records that support the Attendance Record Sheet.** We did not have problems with the number of different records CTI maintained. However, it is a problem when attendance recorded on different records do not match.

New Grade Book System

6) CTI implemented a computerized grade book system for the Medical programs. Hard copies are printed at the end of the module, signed by faculty, and submitted to the programs director. CTI will continue to post grades to the audit sheet.

IG's Comments / Recommendation:

We appreciate CTI's efforts to implement a computerized grade book system. **However, we recommend that CTI maintain all original instructor records containing student grades.**

BACKGROUND

In November 1990, Roger and Nancy Bradley purchased the Ohio State College of Barber Styling, Toledo, Ohio and its branches, Career Training Institute (CTI), Orlando, Florida and Career Training Institute, Leesburg, Florida.

**Campuses and
Programs
Offered**

CTI currently has three campuses. The main campus is located on Edgewater Drive in Orlando. Two other campuses are located in Orlando and Apopka, Florida. The school offers training in the following areas: Medical Assisting, Medical Administrative Specialist, Phlebotomy Technician, Microcomputer Operations, Barber Styling, Cosmetology and Nail Technology.

**Federal
Program
Participation**

CTI participates in the following Title IV aid programs: Federal Pell Grant, Federal Family Education Loan Program, William D. Ford Federal Direct Student Loan Program, Federal Perkins Loan Program and Federal Supplemental Educational Opportunity Grant. During award years 1996 and 1997, CTI received a total of \$2,824,258 in Title IV funds.

**INSPECTION
SCOPE AND
METHOD-
OLOGY**

Our primary inspection objective was to determine if the school has administered its Federal SFA programs in accordance with laws, regulations and applicable program requirements. Our review covered the following program areas:

- Institutional Eligibility and Participation
- Program Eligibility
- Student Eligibility
- Disbursements
- Refunds
- Administrative Capability

To accomplish our objective, we reviewed administrative policies and procedures, accounting records, attendance and grade records, SFA files, bank records, Federal Pell Grant Student Payment Summaries and funding information from the National Student Loan Data System. We interviewed current and former school officials responsible for the administration of the Title IV aid programs. We interviewed current and former students. We also reviewed the school's Independent Public Accountant's audit reports. In addition, we verified with State officials whether students obtained the equivalency of a high school diploma.

**Sampling
Methodology**

We performed 60 file reviews. We randomly selected samples of students who: (1) withdrew and (2) were funded (received aid) during award years 1996 and 1997. First, to ensure we tested for compliance with refund requirements, we selected 15 withdrawn students from each award year. Second, we selected 15 funded students from each award year. For all students selected, we reviewed the students' files for compliance with major program area requirements— see the **“Inspection Scope and Methodology”** section above.

Universe

A total of 638 students received SFA funding at CTI during our inspection period. Our sample of 60 file reviews represents 9.4 percent of the total universe.

**Inspection
Period,
Fieldwork
Visits, and PCIE
Standards
Followed**

Our inspection period covered SFA funds received by CTI students from July 1, 1995 through June 30, 1997. We performed fieldwork at the school during the months of October 1997 through March 1998. We made additional requests for information and performed reviews and analysis between and after fieldwork visits up until November 13, 1998. Our inspection was performed in accordance with *Quality Standards for Inspections*, adopted by the President's Council on Integrity and Efficiency, appropriate to the scope of review described above.

**MANAGER AND
INSPECTION
STAFF
MEMBERS**

This inspection was supervised by Carol S. Lynch, Regional Inspector General for Audit of the Atlanta Office of the Eastern Area. ED-OIG staff members who provided support for this inspection included:

- Ž Fritz Bailey, New York office
- Ž JoAnn C. Jones, Atlanta office
- Ž Steve Purdy, Philadelphia office
- Ž Celia Ruiz, Puerto Rico office
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Appendix A

ATTRIBUTE SAMPLE PROJECTION - All Determination Liabilities

SYMBOL	EXPLANATION	AMOUNT			
N	UNIVERSE	638			
n	SAMPLE	60			
f	SAMPLE %	0.0940438871			
h	SAMPLE HITS	38			
P	HITS %	0.6333333333			
STANDARD ERROR FORMULA:			0.0592147422	THIS IS 1 STANDARD DEVIATION	
AT 68% CONFIDENCE LEVEL					
STANDARD ERROR FORMULA:			0.097408251	THIS IS 1.645 STANDARD DEVIATION	
AT 90% CONFIDENCE LEVEL					
SAMPLE PROJECTION:					
MIDPOINT			404		
LOWER LIMIT			342		
UPPER LIMIT			466		
STANDARD ERROR NUMBER			62		
AT 90% CONFIDENCE LEVEL					
STANDARD ERROR PERCENT			15.4%		
AT 90% CONFIDENCE LEVEL					
CONCLUSION: WE ARE 90% CONFIDENT THAT THE NUMBER OF INELIGIBLE STUDENTS					
WHO RECEIVED SFA IS		404	PLUS/MINUS	62	OR SOMEWHERE BETWEEN
342	AND	466	.		
VARIABLE (DOLLAR) SAMPLE PROJECTION					

SYMBOL	EXPLANATION				AMOUNT	
N	UNIVERSE				638	
n	SAMPLE				60	
f	SAMPLE %				0.0940438871	
D	SUM OF SAMPLE DIFFERENCES (HITS)				\$67,976	
AVG D	AVERAGE OF SAMPLE DIFFERENCES				\$1,132.93	
d2	SUM OF SQUARED DIFFERENCE SFA PAID/AUDIT				\$157,951,676	
SD	STANDARD DEVIATION				\$1,622.51	
STANDARD ERROR FORMULA:			\$199.37	THIS IS 1 STANDARD DEVIATION		
AT 68% CONFIDENCE LEVEL						
STANDARD ERROR FORMULA:			\$327.97	THIS IS 1.645 STANDARD DEVIATION		
AT 90% CONFIDENCE LEVEL						
SAMPLE PROJECTION:						
MIDPOINT			\$722,811			
LOWER LIMIT			\$513,568			
UPPER LIMIT			\$932,054			
STANDARD ERROR DOLLARS			\$209,243			
AT 90% CONFIDENCE LEVEL						
STANDARD ERROR PERCENT			29%			
AT 90% CONFIDENCE LEVEL						
CONCLUSION: WE ARE 90% CONFIDENT THAT THE INELIGIBLE STUDENTS RECEIVED						
\$722,811	IN SFA, PLUS OR MINUS		\$209,243	OR SOMEWHERE BETWEEN		
\$513,568	AND	\$932,054	.			

CAREER TRAINING INSTITUTE

ORLANDO, FLORIDA

Narrative

The Visiting Team is to be commended for the outstanding level of professionalism and respect shown to the students, faculty, and staff of Career Training Institute. A cooperative relationship between the Team and the school was developed early on, creating a conducive working environment. We made every effort to accommodate all requests and respond in an immediate fashion. The Team has assured us time and again that we have provided them with all materials requested.

There are several items of importance that we believe should be identified prior to the reading of the Conditions outlined:

During the last few months prior to and subsequent to the commencement of the Team Visit, Career Training Institute has made changes in the operation of our student record keeping and financial aid management. We trust these changes have improved both our own efficiency and service to the students. The most significant change is with our third party financial aid servicer.

1) Career Training Institute utilized the services of Mitchell Sweet and Associates since the school became eligible to participate in Title IV programs. This was prior to the current school ownership. When the current owners purchased the school, it was Mitchell Sweet and Associates (MSA) who assisted with the painstaking challenge of the change of ownership process. MSA staff have worked with us in all areas of Title IV management--eligibility, processing, refunds, reporting, etc. This was a long-term relationship. It took the owners several years of consideration and research to make a change.

We participate extensively in state-wide professional organizations, including the Florida Association of Student Financial Aid Administrators. Through these professional associations we became acquainted with FAME--Financial Aid Management for Education, Inc. Headquartered in Ft. Lauderdale, FAME offers a "local" connection which we had not enjoyed with MSA, which is located in Arizona--very far away and in a different time zone, making it difficult for telephone consults or questions. After securing references and even visiting other schools using the services of FAME, we made our decision in the late summer of 1997.

We were in the process of gathering our conversion information and setting a conversion date when the Team arrived and our plans for conversion came to a halt. Not knowing just what to expect during the Visit, we felt that severing a relationship with Mitchell Sweet at this time would not be a practical thing to do. However, as time went on and we established a cordial working relationship with the Visiting Team, we were able to supply all requested information and did not feel the need to continue our relationship with MSA. It was time to move on and the new year would be an ideal time to continue with our conversion. We worked on the conversion package all during the Christmas Holidays and so were able to begin the FAME processing service with the new year.

We have discovered that the FAME service has certain procedures inherent within its system to prevent inadvertent mistakes. **Safety nets** are built-in to FAME's software to prevent errors in such areas as student eligibility, conflicting data in an ISIR, and early disbursement. For example, they require the school to submit an attendance report on a monthly basis which is submitted by the financial aid officer. This information will be taken from the student's permanent Attendance Record Sheet, which will have been completed by the education department. FAME will not proceed with the disbursement unless the student has completed the required hours. This procedure serves as just one example that we feel will assist us in the effective management of the financial aid department.

We have contracted with FAME to provide "unannounced" visits to our financial aid department for surprise inspections of records and processes.

We have already had a training session here at our school when the Vice President for Technical Services came for a full day on January 19, 1998. She covered the FAME financial aid processing system in which she went through a hands-on simulation on our computer with our staff. In addition, she offered information and answered our questions regarding many different aspects of financial aid processing and management. One of our staff members is traveling to the FAME offices in Ft. Lauderdale on February 9, 1998 to attend a two-day individualized training session. This will enhance the training already received during the Vice President's visit to our school.

As a standard part of their service, FAME sends information relevant to Title IV regulations, changes, and updates via the computer linkage often, sometimes daily. By doing so, they ensure that the financial aid officer as well as other designated staff such as the Director and/or President are informed of breaking news as it happens. This is daily continuing education. They also send out a regular news bulletin via mail. FAME has assured us and has already proven their ongoing support of our financial aid department and institutional well-being. In a short period of time, we have established relationships with FAME personnel which have enhanced our knowledge of and effectiveness in financial aid management.

In addition to the third-party servicer change, we have already initiated some internal procedures which should assist with effective management of the school.

2) We have hired additional staff for our financial aid department. They bring with them extensive knowledge of financial aid regulations, practices, and compliance. In addition, they possess professional accounting backgrounds. One person has extensive experience working as a financial aid officer at nonpublic postsecondary schools and was employed by FAME as a compliance specialist for three years. Another staff member has years of business management and banking/accounting experience.

3) We replaced our existing mechanical time clock with a new electronic one which computes totals for a designated time period. This clock is used by our Barber and Cosmetology students.

It assists us with both speed and accuracy in the calculation of completed hours. Students are signing their time cards at the end of the month to attest to the accuracy of the calculation. The instructor continues to use the Attendance Record Sheet and will ensure this sheet reflects the totals contained on the time card.

4) We have initiated a system for a more straightforward documentation of our make-up hours for our Medical Assisting/Medical Administrative Specialist students.

A.. We reformatted our existing Attendance Record Sheet to split the space per class day for "scheduled class time" and "make-up time." This is completed by the education department on a daily basis. This replaces the blanks on the Attendance Record Sheet which we had previously used to designate time and work made up for the entire module (six week period). These sheets are maintained in a binder secured in the program director's office.

B. The medical programs director has a "make-up" sign-in sheet on her office door. Students are required to sign in and out for all make-up time and identify the subject area for which they are spending this time.

These additions to our present procedure for class/work make-up should enhance the overall management of the attendance record keeping system. As has been our standard operating procedure, all daytime instructors are required to remain on campus for a minimum of one hour per day after class in order to make themselves available for make-up/tutorial assistance. In addition, our program department head as well as two other instructors are present each day all afternoon so that any student staying late or coming early for evening class may be served by faculty.

5) We have streamlined our attendance record keeping system to include one student-generated document and one instructor-generated document. All attendance and make-up verifications will be found on these items.

6) We have implemented a computerized grade book system. This standardized all grade reporting for every instructor in the Medical programs. Hard copies are printed at the end of the module, signed by faculty, and submitted to the programs director. She backs up the system to disk at the end of the module so that we will have an exact duplicate of the hard copy on disk. The system is secure--accessed by passwords--can be viewed by School Director and Medical Programs Director. We will continue our practice of posting grades to the audit sheet, which serves as an 'in-school transcript.' Final transcripts for graduates are prepared from the audit sheets.

We hope that this narrative has provided an overview of the sincere effort made by the staff, of Career Training Institute on an ongoing basis to comply with established policies, procedures and regulations. As outlined in the responses to the conditions identified below, we will continue to develop a plan of action to address the Visiting Team's recommendations.

Condition 1

Several cases occurred where income was not considered or was conflicting when determining students' eligibility for aid.

Immediate action: We will check files in the sample in which this problem was identified. We will identify any conflicting information and contact student to resolve. We will also recalculate to see if there would be any change in the award. If so, we will make an appropriate refund of any Title IV aid that was disbursed due to an error caused by conflicting information. We will enlist the assistance of the FAME service in order to complete this item.

Procedure: Student brings in tax return(s) (his own, as well as responsible party if dependent) for appropriate year. During the initial financial aid interview, information from the tax return(s) is used when completing the FASFA. Our financial aid officer transmits FASFA information electronically to our third-party servicer, FAME. The ISIR comes into school several days later and the information contained in the ISIR is checked against the original hard copy application (FASFA) and the tax return information. If conflict exists, the prospective student is contacted by the financial aid officer and asked to provide information/documentation to resolve the situation. Through FAME's Student Master Database, the school confirms that the ISIR is correct prior to the disbursement of any Title IV aid.

Condition 2. Several cases occurred where the ESAR or ISIR process date was after students had withdrawn.

Immediate Action: We will review the files identified with this problem and compare the LDA with the ESAR/ISIR process date. Where a conflict exists, we will make an appropriate refund of Title IV Aid which was disbursed based on an ISIR/ESAR process date which occurs after the student's LDA.

Procedure: Our current financial aid third party servicer, FAME, has a procedure in place for this very situation. Through their student VIP/Student Master Data input system, a series of steps are required to be taken by the financial aid officer. The school must confirm to FAME that the student is in attendance prior to any further action. The disbursement process will be interrupted if attendance reporting information reveals that a student is no longer in school prior to the final processing of an ISIR/ESAR.

In addition to the FAME method, our institutional system includes a cross check by the financial aid officer to the student's attendance record to ensure that a student is in attendance as of the ISIR process date. No financial aid will be disbursed to a student who has a last date of attendance prior to the ISIR process date.

Condition 3. In many cases, second disbursements were given (a) to students before they completed the required 450 clock hours of instruction or (b) to students who never completed the required 450 clock hours of instruction.

Immediate Action: The school will check files in the inspection period to determine the time completed by the student as of the date of the second disbursement. If the student has not successfully completed the minimum attendance required, then the school will make the appropriate refund. The school will obtain direction from the Department as to the format and specific content of this report.

Procedures: Our third party servicer, FAME, has a process whereby the school must submit attendance data prior to the preparation of first and second disbursements. The school will not receive any checks for disbursement unless it has attested to the hours of attendance completed by the students on whom second disbursements are requested. In order to retrieve the correct information for this report, the Financial Aid officer utilizes information from the permanent attendance record (Attendance Record Sheet and sign in sheet or time card) that is maintained by the education department. Any questions will be resolved by the Department Head or the School Director. It is this information which is transmitted on the FAME attendance reporting form to the FAME office for second disbursement processing. FAME does not process any second disbursements unless the student has COMPLETED the required hours. By the time the award is ready for disbursement, the student will be well beyond the 450th hour in his program.

Condition 4. In many cases, numerous differences exist between instructors' weekly attendance sheets, sign in sheets, and time cards and the Student Attendance Reports--the documents used to determine students' eligibility for aid.

Immediate action: After Listening to comments made by the Visiting Team, we have determined that our attendance documentation must be streamlined in order to be more user friendly. The documents currently utilized by the school for attendance record keeping include: Individual Attendance Record Sheets (student's permanent record) for all students, time cards for Barber and Cosmetology students, and sign in sheets. In the past, we have also utilized rosters. SPECIAL NOTE: We more than provided ALL possible information to the Visiting Team in addition to our official school record keeping documents. These materials included various supplemental items which we used for the purpose of internal cross checking. We have never considered these supplements as official school documents. We have already begun the process of evaluating our current attendance record keeping system and will be implementing changes immediately.

As detailed in the "Student grade and Attendance Record Keeping Procedures" summary that was provided to the Visiting Team last Friday, January 30, 1998, the documents described are considered a part of the student's permanent file. The instructor completes the Attendance Record sheet and the student either signs in or punches a time card. It is the responsibility of the instructor/education department to ensure that attendance is correctly marked on a daily basis. The student's individual Attendance Record Sheet is kept in a three ring binder until the sheet is completely filled. Then, it is transferred to the student's permanent file. These sheets clearly identify each "module" of available class time. The education department is responsible for summarizing the hours completed and made up during the module. As mentioned in our preface, the school has detailed additional make-up record keeping for attendance documentation. When hours are calculated at the end of each module, it should be much easier than in our prior system to see just how this make-up was accomplished.

Our attendance policy has an excused absence allowance for all students other than Barber and Cosmetology. We allow up to 10% of a 450 hour payment period to be considered an excused absence which does not have to be made up with attendance. (See catalog, page 6). Any excused absences in excess of 10% of a 450 hour payment period and all unexcused absences will be made up with attendance. There is no attendance allowance for excused absences in our Cosmetology and Barber programs. As in the past, all academic work must be made up as specified by the instructor.

We have expressed to the Visiting Team our willingness to alter our existing attendance record keeping system to eliminate unnecessary duplication of information. We are enthusiastic about having the opportunity to improve our effectiveness and thus, better serve our student population.